

Message Text

UNCLASSIFIED

PAGE 01 SEOUL 05137 211133Z

ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 EPG-02 SIL-01 OMB-01 DODE-00 PA-02

PRS-01 /068 W

-----025540 211201Z /44

R 210846Z JUN 77

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 4625

INFO AMEMBASSY TOKYO

AMEMBASSY TAIPEI

AMCONSUL HONG KONG

UNCLAS SEOUL 5137

E.O. 11652: N/A

TAGS: ECON, ECRP, KS

SUBJECT: FIRST QUARTER GNP-GROWTH SLACKENS

SUMMARY:

RECENTLY RELEASED FIGURES SHOW KOREA'S ECONOMY GREW BY A CREDITABLE 9.3 PERCENT IN THE FIRST QUARTER AS A RESULT OF SUSTAINED EXPORT GROWTH. CONSUMERS, HOWEVER, TURNED CAUTIOUS AND PRIVATE CONSUMPTION EXPENDITURES ROSE AT BELOW AVERAGE RATES WHILE RESIDENTIAL CONSTRUCTION PLUMMETED. THE PROJECTED 10 PERCENT ECONOMIC GROWTH FOR 1977 ORIGINALLY FORECAST REMAINS PROBABLE, BUT THE ODDS ARE NARROWING. END SUMMARY.

1. THE BANK OF KOREA RECENTLY RELEASED FIRST QUARTER GNP (UNADJUSTED) DATA FOR 1977. REAL GNP IN 1970 CONSTANT PRICES ROSE 9.3 PERCENT TO 970 BILLION WON (\$2,004 MILLION) COMPARED TO THE 16 PERCENT FIRST QUARTER GROWTH RECORDED IN 1976. (ALL GROWTH RATES ARE PERCENTAGE INCREASES OVER THE CORRESPONDING PERIOD A YEAR EARLIER).

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 SEOUL 05137 211133Z

PRINCIPAL ENGINE OF GROWTH REMAINED THE EXTERNAL SECTOR WITH EXPORTS OF GOODS AND SERVICES--IN REAL TERMS--UP BY 38.8 PERCENT COMPARED TO A 26.3 PERCENT INCREASE IN IMPORTS. (COMPARABLE FIGURES FOR THE FIRST QUARTER OF 1976 WERE 51.7 PERCENT AND 14.6 PERCENT RESPECTIVELY.) THE INCREASING IMPORTANCE OF INVISIBLES TO THE EXTERNAL ACCOUNT IS DEMONSTRATED BY THE FACT THAT COMMODITY

EXPORTS WERE UP ONLY BY 29.9 PERCENT (60.7 PERCENT IN 1976).

2. IN SECTORIAL GROWTH THE LARGEST DECLINE WAS RECORDED BY AGRICULTURE AND FISHERIES WHICH INCREASED BY ONLY 4.9 PERCENT COMPARED TO THE 15.2 PERCENT INCREASE IN THE FIRST QUARTER OF 1976. MINING AND MANUFACTURING WERE UP 10.3 PERCENT AND SOCIAL OVERHEAD CAPITAL PLUS SERVICES BY 9.2 PERCENT, (26.5 PERCENT AND 8.1 PERCENT RESPECTIVELY DURING THE FIRST QUARTER OF 1976).

3. WITHIN THE MANUFACTURING SECTOR GROWTH WAS PACED BY HEAVY INDUSTRY-UP 15.3 PERCENT. THE MOST SIGNIFICANT INCREASE WAS RECORDED BY BASE METALS WHICH GREW BY 32 PERCENT. OTHER AREAS DEMONSTRATING SIGNIFICANT INCREASES WERE MACHINERY (21.8 PERCENT) AND PETROLEUM REFINING (16.5 PERCENT). CHEMICAL PRODUCTION HOWEVER, ROSE BY ONLY 3.8 PERCENT. IN THE LIGHT INDUSTRY SECTOR (UP 7.1 PERCENT) RUBBER GOODS LED WITH A GROWTH RATE OF 34.5 PERCENT. THE TRADITIONAL LIGHT INDUSTRIES: TEXTILES (UP 4.5 PERCENT), FOOTWEAR AND GARMENTS (UP 3.2 PERCENT) AND LEATHER GOODS (DOWN 2.9 PERCENT) PUT IN THE POOREST PERFORMANCE. NO IMMEDIATE UPTURN IN THESE INDUSTRIES IS FORESEEN.

4. INVESTMENT FIGURES DISPLAYED WIDE VARIATION. GROSS UNCLASSIFIED

UNCLASSIFIED

PAGE 03 SEOUL 05137 211133Z

FIXED INVESTMENT SHOWED A CREDITABLE 17.4 PERCENT UPTURN (IT WAS A NEGATIVE 10.4 PERCENT IN THE FIRST QUARTER OF LAST YEAR). THIS WAS PRIMARILY DUE TO SIGNIFICANT INCREASES IN GOVERNMENT CONSTRUCTION AND SOCIAL OVERHEAD CAPITAL EXPENDITURES. THE FORMER ROSE BY 31.4 PERCENT AND THE LATTER BY 34.4 PERCENT. ENCOURAGING ALSO WAS THE INCREASE IN OUTLAYS FOR INVESTMENT IN MACHINERY AND EQUIPMENT WHICH WERE UP BY 31.4 PERCENT IN REAL TERMS. ON THE OTHER HAND PRIVATE CONSTRUCTION WAS DOWN 22.9 PERCENT WITH PRIVATE RESIDENTIAL CONSTRUCTION FALLING PRECIPITOUSLY BY 60.7 PERCENT. HIGH COSTS, TIGHT MONEY AND UNCERTAINTIES PLAGUE THE CONSTRUCTION INDUSTRY WITH LITTLE RELIEF IN SIGHT. AS A RESULT OF LARGE INVENTORY DIS-INVESTMENT TOTAL GROSS INVESTMENT EXPENDITURES ROSE A MINIMAL 0.1 PERCENT.

5. FURTHER EVIDENCE OF A TIGHTENING UP OF CONSUMER OUTLAYS IS SHOWN BY PRIVATE CONSUMPTION EXPENDITURES WHICH ROSE ONLY 6.2 PERCENT COMPARED TO 6.9 PERCENT IN THE FIRST QUARTER OF 1976 AND PROJECTED TO GROW AT A 7 PERCENT RATE IN 1977. GOVERNMENT CONSUMPTION EXPENDITURES WERE UP BY 13.3 PERCENT.

6. THE KOREA DEVELOPMENT INSTITUTE (KDI) IN A FORECAST RELEASED AT THE END OF MAY HAD PROJECTED A 11 PERCENT REAL GNP GROWTH FOR 1977 AS A RESULT OF INCREASED CONSUMPTION AND INVESTMENT OUTLAYS IN THE SECOND HALF. HOWEVER, IT APPEARS THAT THE SECOND QUARTER'S GROWTH MAY, IN FACT, BE BELOW THE FIRST QUARTER--ONE EXPERT HAS NOW PROJECTED BETWEEN 7 AND 8 PERCENT--BECAUSE OF THE POOR BARLEY HARVEST, STAGNATION IN THE FISHERIES INDUSTRY, AND CONTINUING DOLDRUMS IN PRIVATE CONSTRUCTION AND CONSUMPTION. IF ACCURATE, IT WOULD BE NECESSARY FOR THE SECOND HALF TO DEMONSTRATE COUTSTANDING GAINS TO REACH AN 11 PERCENT OVERALL GROWTH FOR THE YEAR. WHILE POSSIBLE, SUCH SECOND HALF GROWTH LOOKS UNCLASSIFIED

UNCLASSIFIED

PAGE 04 SEOUL 05137 211133Z

UNLIKELY FROM PRESENT PERSPECTIVES. IN THE MEANTIME, THE ECONOMIC PLANNING BOARD IS MAINTAINING ITS PROJECTION FOR A 10 PERCENT REAL GROWTH. EVEN THIS MAY BECOME SUSPECT IF THE SECOND QUARTER IS INDEED AS POOR, IN KOREAN TERMS, AS ENVISAGED. IT NOW APPEARS THAT THE THIRD QUARTER, WHEN THE VALUE ADDED TAX AND ITS ATTENDENT PROBLEMS COME ON STREAM MAY BE THE CRUCIAL PERIOD IN EVALUATING THE YEAR'S TOTAL ECONOMIC PERFORMANCE. SNEIDER

UNCLASSIFIED

UNCLASSIFIED

PAGE 05 SEOUL 05137 211133Z

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GNP, ECONOMIC GROWTH, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 21-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977SEOUL05137
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770221-0103
Format: TEL
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770635/aaaabemf.tel
Line Count: 152
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c8456479-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25-Oct-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2081747
Secure: OPEN
Status: NATIVE
Subject: FIRST QUARTER GNP-GROWTH SLACKENS SUMMARY: RECENTLY RELEASED FIGURES SHOW KOREA'S ECONOMY GRE
TAGS: ECON, ECRP, KS
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/c8456479-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009